

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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USDOC WASHDC

INFO AMEMBASSY ABU DHABI

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E.O. 11652: N/A

TAGS: ENRG EINV MU

SUBJECT: INVESTMENT OPPORTUNITY: PETROLEUM REFINERY FOR OMAN

REF: 75 MUSCAT 792

1. ACCORDING TO MID-LEVEL MINISTERIAL OFFICIALS, OMANGOV HAS NOW DECIDED TO CONSTRUCT MEDIUM-SIZED REFINERY WHICH WOULD PRODUCE UP TO 100,000 BARRELS/DAY OF REFINED PETROLEUM PRODUCTS (MOSTLY KEROSENE, MARINE FUEL, AND SMALLER AMOUNTS OF GASOLINE). COST OF PROJECT WILL BE AT LEAST \$200 MILLION. OMANGOV IS SEEKING JOINT VENTURE WITH FOREIGN FIRM TO CONSTRUCT AND MANAGE PROJECT. ABOUT HALF OF CAPITAL COST WOULD BE FURNISHED BY PRIVATE PARTNER.

2. THESE SOURCES SAY ORIGINAL PROJECT DESIGN WAS PROVIDED BY GREEK FIRM OF VARDINOYANNIS WITH DESIGNATED OUTPUT OF 35,000 B/D AND AN INPUT OF 1.8 MILLION TONS OF CRUDE PER YEAR. BUT OMANGOV BECAME DISSATISFIED WITH VARDINOYANNIS AND DROPPED THEM FROM CONSIDERATION. GOVERNMENT ALSO INCREASED SIZE OF PROJECT IN ORDER TO CREATE EXPORT CAPACITY FOR PART

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OF OUTPUT. JAPANESE FIRMS OF HITACHI AND C. ITOH HAVE VISITED

OMAN TO EXPLORE PROJECT. FEASIBILITY STUDY ON PROJECT IS CURRENTLY BEING PREPARED, BUT NO FINAL DECISION HAS BEEN MADE ON WHO WILL PERFORM IT.

3. FYI: PD(O) MANAGEMENT TELLS US QUESTION OF PUTTING UP OIL REFINERY HAS SURFACED AT VARIOUS TIMES IN PAST. SHELL HAS INFORMALLY ADVISED OMANGOV ABOUT COSTLY UNECONOMICS OF SMALL REFINERIES, BUT APPRECIATES THAT FOR REASONS OF SECURITY OF SUPPLY, AND PRESTIGE, OMANIS MAY LAUNCH A PROJECT AT SOME EARLY STAGE. END FYI.

4. COMMENT: WE BELIEVE OTHER, HIGHER LEVELS OF OMANI ESTABLISHMENT AND FOREIGN ADVISERS HAVE ALSO BEEN RUMINATING ABOUT REFINERY IDEA. JUST HOW, IF AT ALL, ANY REFINERY PROJECT HERE WILL ACTUALLY BE BORN MAY REMAIN A MYSTERY FOR SOME TIME. FINANCING MIGHT BE TOO BIG A HURDLE TO OVERCOME.

5. ACTION REQUESTED: DEPT AND USDOC DISCUSS PROJECT WITH AMERICAN PETROLEUM FIRMS WHO MIGHT WISH TO PARTICIPATE IN JOINT VENTURE. WE RECOMMEND THAT INTERESTED COMPANIES GET IN TOUCH WITH H.E. SAID AHMAD AL SHANFARI, MINISTER OF AGRICULTURE, FISHERIES, PETROLEUM AND MINERALS, P.O. BOX 551, MUSCAT, SULTANATE OF OMAN; CABLE: PLANDEV; TELEX: 280 PLANDEV MB, MUSCAT.
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